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UNDP FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

Audit reports

Note by the Administrator

INTRODUCTION

1. The external audit reports and audited accounts of executing agencies relating to funds allocated to them by the United Nations Development Programme (UNDP) as at 31 December 1992, submitted in accordance with regulation 17.1 of the UNDP Financial Regulations, are contained in the addendum to the present document (DP/1994/37/Add.1 available in the working languages of the Executive Board), together with a summary of the status of funds submitted by all executing agencies as at 31 December 1992. It should be noted that as 1992 was the first year of the biennial period used by the United Nations system, the audit reports being presented this year do not include reports in respect of those agencies which, under their own financial regulations, submit audited financial statements only at the end of each biennium.

2. The external auditors issued an unqualified opinion and made no further observations on the financial statements for the year ended 31 December 1992 of the following agencies:

African Development Bank (AfDB)
Asian Development Bank (AsDB)
International Atomic Energy Agency (IAEA)
International Civil Aviation Organization (ICAO)
International Maritime Organization (IMO)
International Monetary Fund (IMF)
World Intellectual Property Organization (WIPO)

Sections I to V below contain the Administrator's comments on significant observations made in the audit reports of other executing agencies.

I. INTERNATIONAL FINANCE CORPORATION (IFC)

3. The external auditors issued an unqualified opinion on the financial statements for the year ended 31 December 1992. Although the financial statements were not qualified, the auditors made the following observation:

Allocations. Of the five projects selected for review, 1992 expenditure for one project was greater than 1992 budgeted expenditure; however, cumulative expenditure was within the established project budget. A reallocation of budgets by year was performed in early 1993, which increased the 1992 budget to compensate for the overexpenditure.

II. INTERNATIONAL TELECOMMUNICATION UNION (ITU)

4. The external auditors issued an unqualified opinion on the financial statements for the year ended 31 December 1992. Although the financial statements were not qualified, the auditors made the following observations:

(a) Allocations for projects funded by indicative planning figures (IPFs), Special Programme Resources (SPR), the Special Measures Fund for the Least Developed Countries (SMF/LDC) and government cash-counterpart contributions (GCCC). The auditors noted that for some IPF and LDC projects, the allocation was less than expenditure or was non-existent. In some cases, the difference was due to adjustments that should be taken into account in the annual mandatory revision and which will be the subject of an additional allocation. The auditors requested ITU to ensure that the extra allocations actually materialize;

In the case of three projects, expenditure exceeding the normal allocation had not yet been accepted by UNDP. The auditors request ITU to settle this matter with UNDP;

The allocations for three LDC-funded projects mentioned in the 1991 and 1992 audits were still not allocated. The auditors again requested ITU to obtain the missing allocations;

For the GCCC-funded project mentioned in the 1992 audit, the difference between actual expenditure and allocation of $1,350 still remains. The auditors requested ITU to obtain a revised allocation from UNDP;

(b) Status of funds. The auditors noted that there was a net difference of $86,565 between the status of funds at 31 December 1992 prepared by ITU and the UNDP final Operating Fund Statement (OFS 92-11). The auditors indicated that the difference, which had been fully identified, was to be corrected in 1993;

(c) Sectoral support expenditure. The auditors noted that ITU carried a credit balance of $147,906 with regard to this activity; in view of the new UNDP procedure introduced in 1992, ITU should ensure that the new balance is refunded to UNDP. The amount was refunded in 1993;

(d) Equipment and supplies. The auditors noted that where inventories were concerned, there were delays and inaccuracies in the capture of data. ITU assured the auditors that ways were being sought to correct those shortcomings.

III. UNIVERSAL POSTAL UNION (UPU)

5. The external auditors issued an unqualified opinion on the financial statements for the year ended 31 December 1992. Although the financial statements were not qualified, the auditors made the following observations:

(a) IPF allocations. A discrepancy of $20,000 was noted between the allocations from UNDP and those recorded by UPU. The changes were identified for correction in 1993;

(b) Status of funds. The auditors noted that there was a net difference of $100 between the status of funds at 31 December 1992 prepared by UPU and the UNDP final Operating Fund Statement (OFS 92-11). The difference was identified for correction in 1993.

IV. WORLD BANK

6. The external auditors issued an unqualified opinion on the financial statements for the year ended 31 December 1992. Although the financial statements were not qualified, the auditors made the following observations:

(a) Progress reports. Of the five projects selected for review, one project had no progress report for 1992 although the project document stated that the progress reports should be filed on a semi-annual basis;

(b) Allocations. Of the five projects selected for review, 1992 expenditure for one project was greater than 1992 budgeted expenditure; however, cumulative expenditure was within the established project budget. A reallocation of budgets by year was performed in early 1993, which increased the 1992 budget to compensate for the overexpenditure.

V. WORLD TOURISM ORGANIZATION (WTO)

7. The external auditors issued an unqualified opinion on the financial statements for the year ended 31 December 1992. Although the financial statements were not qualified, the auditors made the following observations:

(a) Sectoral support. The auditors noted that, to avoid year-end discrepancies between UNDP and WTO and to facilitate the closure of the accounts, UNDP should forward credit approval forms (credit advice) as soon as the relevant credit requests are received by UNDP.

The Administrator believes that there is some misunderstanding on this matter. New procedures were instituted in 1992 and the respective agencies

received sectoral support reimbursement along with project expenditure reimbursement in OFS 92-11, section 80;

(b) Completion of computer programme development. The external auditors noted that to a large extent WTO had developed its overall computerization in 1992; however, the software for the UNDP/WTO accounting programme is still to be completed.

VI. EXECUTIVE BOARD ACTION

8. The Executive Board may wish to take note of the present note by the Administrator.